

CLAYTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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CLAYTON COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Neil Meyer	Board of Supervisors	Jan. 2007
Robert Walke	Board of Supervisors	Jan. 2007
Larry Gibbs	Board of Supervisors	Jan. 2005
Dennis Freitag	County Auditor	Jan. 2005
Linda Orr	County Treasurer	Jan. 2007
Sue Meyer	County Recorder	Jan. 2007
Robert Hamann	County Sheriff	Jan. 2005
Kevin Clefisch	County Attorney	Jan. 2007
Larry Hauser	County Assessor	Jan. 2004
Rafe Koopman	County Engineer	
(After January 2004)		
Neil Meyer	Board of Supervisors	Jan. 2007
Robert Walke	Board of Supervisors	Jan. 2007
Larry Gibbs	Board of Supervisors	Jan. 2005
Dennis Freitag	County Auditor	Jan. 2005
Linda Orr	County Treasurer	Jan. 2007
Sue Meyer	County Recorder	Jan. 2007
Robert Hamann	County Sheriff	Jan. 2005
Kevin Clefisch	County Attorney	Jan. 2007
Larry Hauser	County Assessor	Jan. 2010
Rafe Koopman	County Engineer	

INDEPENDENT AUDITOR'S REPORT

To the Officials of Clayton County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Clayton County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to observe the physical inventory recorded in the Major Fund, Secondary Roads to verify the accuracy of the physical counts of items on hand at June 30, 2004.

As discussed in Note 13 to the financial statements, management has not recorded a full listing of capital assets, including buildings, improvements, equipment and general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require those capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the omission of a full capital asset listing as discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities of Clayton County as of June 30, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of our inability to observe the final inventory counts as discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Major Fund, Secondary Roads of Clayton county as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Major Fund, General Fund, Major Fund, Mental Health Fund, and Major Fund, Rural Services Fund, and the aggregate remaining fund information of Clayton County at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2005 on our consideration of Clayton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clayton County's basic financial statements. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) were audited by other auditors. For the year ended June 30, 2003, those auditors issued a qualified opinion on the governmental activities of Clayton County due to the omission of a complete listing of capital assets and their related depreciation, and issued an unqualified opinion on each major fund and the aggregate remaining fund information. For the two years ended June 30, 2002, those auditors issued qualified opinions on the general purpose financial statements due to the omission of the general fixed asset account group from those statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 3, 2005

**CLAYTON COUNTY
ELKADER, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2004**

Management of Clayton County provides this Management's Discussion and Analysis of Clayton County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Clayton County implemented this new reporting standard for the fiscal year ending June 30, 2003.

FINANCIAL HIGHLIGHTS

Net assets of governmental activities as presented in the "Statement of Activities" decreased by \$59,878, which represented a .5% decrease from fiscal year 2003. Property taxes levied for general purposes of the County decreased \$48,937. Program revenues from operating grants and contributions decreased by \$229,917 or a 5% decrease from the prior fiscal year while capital grants and contributions decreased by \$2,117,389 or a 97% decrease mainly due to the roads and transportation program area. County program expenses in total were .6%, or approximately \$67,699, less in 2004 than in 2003. Roads and transportation program had the largest decrease in expenses of \$559,968.

From the "Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds," General Fund revenues accounted for \$3,866,781 in revenue or 35.7% of all revenues. General Fund expenditures accounted for \$4,073,358 in expenditures or 38.9% of all expenditures. Secondary Roads-Special Revenue Fund revenues accounted for \$3,573,046 in revenue or 33% of all revenues. Secondary Roads-Special Revenue Fund expenditures accounted for \$4,040,573 in expenditures or 38.6% of all expenditures.

As the County completed the year, its governmental funds reported a combined fund balance of \$7,242,896, a \$788,081 increase over the 2003 fiscal year end balance of \$6,454,815. The County spent \$1,060,691 less than the prior fiscal year of 2003.

- The General Fund received less revenues during fiscal year 2004 through property taxes and intergovernmental revenue than in 2003. The General Fund expenditures increased in public safety & legal services programs and administration and decreased in physical health and governmental services to residents. The ending fund balance showed a 7.2% increase from the prior year of \$1,399,489 to \$1,499,662.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,812,628, an increase of 1.8% from the prior year. The Mental Health Fund balance at year ended decreased by \$656,302 from the prior year. The County was forced to issue long term debt of \$400,000 in order to fund this shortfall.
- Secondary Roads Fund expenditures decreased by \$1,091,911 over the prior year, due principally to a decrease in roadway maintenance and a lack of construction or repairs projects. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of \$585,279, or 13.6%.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clayton County as a financial whole, or as an entire operating entity.

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Clayton County as a whole and present an overall view of the County's finances and a longer-term view of those finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clayton County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other non-major funds presented in total in a single column. For Clayton County, the General Fund, MH/DD-Special Revenue Fund, Rural Services-Special Revenue Fund and Secondary Roads-Special Revenue Fund are the most significant funds. The remaining statements provide financial information about activities for which Clayton County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The "Statement of Net Assets" and the "Statement of Activities" report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The "Statement of Net Assets" presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The "Statement of Activities" presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net assets and statement of activities, the County reports its operations as governmental activities:

Governmental Activities: All of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, MH/DD-Special Revenue Fund, Rural Services-Special Revenue Fund and Secondary Roads-Special Revenue Fund.

Governmental Funds

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a "Balance Sheet" and a "Statement of Revenues, Expenditures and Changes in Fund Balances".

Proprietary Funds

Proprietary funds account for the partial self funded employee group health insurance-internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements include a "Statement of Net Assets", a "Statement of Revenues, Expenses, and Changes in Net Assets" and a "Statement of Cash Flows".

Fiduciary Funds

Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for emergency management services, the county assessor, and E911 Service Board, for example.

The fiduciary funds required financial statements include a "Statement of Fiduciary Assets and Liabilities".

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following is a summary perspective of the "Statement of Net Assets" of the County as a whole. The County's net assets at the end of fiscal year 2003 totaled \$11,879,706 compared to the fiscal year 2004 total of net assets of \$11,819,828.

Condensed Statement of Net Assets		
	<u>Fiscal Year 2004</u>	<u>Fiscal Year 2003</u>
Current & Other Assets	\$13,310,531	\$12,321,620
Capital Assets	<u>5,152,606</u>	<u>5,492,841</u>
Total Assets	\$18,463,137	\$17,814,461
Long-term debt outstanding	\$ 718,225	\$ 258,723
Other Liabilities	<u>5,925,084</u>	<u>5,676,032</u>
Total Liabilities	\$6,643,309	\$ 5,934,755
Net Assets		
Invested in capital assets, Net of related debt	\$ 5,152,606	\$ 5,492,841
Restricted	6,519,393	5,142,671
Unrestricted	<u>147,829</u>	<u>1,244,194</u>
Total Net Assets	\$11,819,828	\$11,879,706

The following analysis shows the change in net assets for the years ending June 30, 2003 and 2004:

Changes in Net Assets of Governmental Activities

	<u>Fiscal Year 2004</u>	<u>Fiscal Year 2003</u>
Revenues:		
Program revenue		
Charges for service	\$ 809,180	\$ 467,384
Operating grants, contributions, and restricted interest	4,174,927	4,404,844
Capital grants, contributions, and restricted interest	56,549	2,173,938
General revenue		
Property taxes	4,410,377	4,459,314
Penalty & int. on property tax	47,322	45,126
State tax credits	298,756	1,050,470
Local option, hotel and gaming taxes	880,865	534,229
Grants and contributions not restricted to a specific purpose	64,127	94,538
Unrestricted investment earnings	134,605	176,961
Miscellaneous	<u>51,660</u>	<u>64,548</u>
Total Revenues	\$10,928,368	\$13,471,352
Program expenses:		
Public Safety & Legal Services	1,619,257	1,482,241
Physical Health & Social Services	435,839	443,707
Mental Health, MR, DD	1,812,628	1,779,526
County Environment & Education	882,465	866,470
Roads & Transportation	4,674,416	5,234,384

Government Services to Residents	346,455	522,985
Administration	1,000,339	707,390
Nonprogram	0	35,934
Capital Projects	<u>216,847</u>	<u>0</u>
Total Expenses	10,988,246	11,072,637
Change in net assets	(59,878)	2,398,715
Net Assets Beginning of Year	11,879,706	9,480,991
Net Assets End of Year	11,819,828	11,879,706*

* restated see note 12

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County did amend its operating budget by an increase of \$693,200 which was mainly for nonprogram and administrative costs. No functional budget areas were exceeded at year end.

The following chart shows the final budget for fiscal 2004 as well as the actual receipts and disbursements for the year:

Budgetary Comparison Schedule

	<u>Actual</u>	<u>Budgeted</u>	<u>Variance</u>
Receipts:			
Property & other County tax	\$ 5,255,418	\$ 5,090,022	\$ 165,396
Penalty & Interest on Taxes	47,255	50,810	(3,555)
Intergovernmental	4,741,532	4,301,009	440,523
Licenses & Permits	17,777	21,800	(4,023)
Charges for Services	399,781	395,614	4,167
Use of Money & Property	211,205	212,661	(1,456)
Miscellaneous	<u>165,656</u>	<u>297,870</u>	<u>(132,214)</u>
Total Receipts	\$10,838,624	\$10,369,786	\$ 468,838
Disbursements:			
Public Safety and Legal Services	1,582,456	1,751,149	168,693
Physical Health & Social Services	422,169	480,575	58,406
Mental Health, MR, DD	1,830,226	1,833,316	3,090
County Environment and Education	873,833	925,353	51,520
Roads & Transportation	4,585,757	5,615,600	1,029,843
Government services to Residents	350,632	387,476	36,844
Administration	943,296	1,206,777	263,481
Non-program	0	501,300	501,300
Capital Projects	<u>219,012</u>	<u>1,453,276</u>	<u>1,234,264</u>
Total Disbursements	\$10,807,381	\$14,154,822	\$3,347,441

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, Clayton County had \$5,152,606 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$820,754 for fiscal year 2004 and total accumulated depreciation of \$4,581,603 as of June 30, 2004 for the governmental activities. The County had depreciation expense for fiscal year 2003 of \$670,104 and total accumulated depreciation of \$4,116,445 as of June 30, 2003. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Debt

At year-end, the County had \$400,000 in long term debt in notes payable compared to zero last year in notes payable.

The County does not have a general obligation bond rating currently. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$46,930,008 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the County was aware of several existing circumstances that could significantly affect its financial health in the future:

- Clayton County has a high winter season unemployment rate (11% in January of 2005)
- Clayton County is one of the lowest per capita income areas in the state
- Clayton County had 150 new homes built in the past year, of which 100 were built in the rural area of the county
- Clayton County continues to work with a developer to build a \$130,000,000 development near McGregor which would include a hotel, water park, golf course and residential homes by tax increment financing
- Clayton County had an 8% decrease in ag values for 2002 valuations due a statewide decrease in productivity

The fiscal year 2005 budget contains receipts totaling \$10,737,452 and disbursements totaling \$12,764,255 compared to the 2004 budget of \$10,369,786 in receipts and \$14,154,822 in disbursements.

<u>TAX RATE COMPARISON</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY2003</u>
County wide rate	\$5.36864	\$4.70024	\$4.70026
Rural rate	\$8.46997	\$7.70571	\$7.66034

Tax rates are expressed in dollars per \$1000 of taxable valuation.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Clayton County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Clayton County Auditor Office, 111 High St-Courthouse, PO Box 416, Elkader, IA 52043-0416.

Basic Financial Statements

CLAYTON COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,153,540
Receivables:	
Property tax:	
Delinquent	5,788
Succeeding year	5,061,523
Interest and penalty on property tax	6,469
Accounts	85,698
Accrued interest	21,681
Due from other governments	527,258
Inventories	324,946
Prepaid expenses	123,628
Capital assets, net of accumulated depreciation (note 5)	<u>5,152,606</u>
Total assets	<u>18,463,137</u>
Liabilities	
Accounts payable	536,563
Salaries and benefits payable	90,570
Due to other governments (note 6)	236,428
Deferred revenue:	
Succeeding year property tax	5,061,523
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Compensated absences	318,225
Portion due or payable after one year:	
General obligation anticipation notes	<u>400,000</u>
Total liabilities	<u>6,643,309</u>

CLAYTON COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 5,152,606
Restricted for:	
Supplemental levy purposes	211,468
Rural service purposes	138,994
Secondary roads	4,790,229
Other special revenue purposes	1,378,702
Unrestricted	<u>147,829</u>
Total net assets	<u>\$ 11,819,828</u>

See notes to financial statements.

CLAYTON COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 1,619,257	\$ 78,808	\$ 38,403	\$ -	\$ (1,502,046)
Physical health and social services	435,839	17,025	41,195	-	(377,619)
Mental health	1,812,628	11,190	674,115	-	(1,127,323)
County environment and education	882,465	121,925	45,170	-	(715,370)
Roads and transportation	4,674,416	176,763	3,376,044	56,549	(1,065,060)
Government services to residents	346,455	317,893	-	-	(28,562)
Administration	1,000,339	85,576	-	-	(914,763)
Capital projects	216,847	-	-	-	(216,847)
Total	\$ 10,988,246	\$ 809,180	\$ 4,174,927	\$ 56,549	(5,947,590)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,410,377
Penalty and interest on property tax					47,322
State tax credits					298,756
Local option sales and services tax					661,458
Hotel/motel tax					5,623
Gaming tax					213,784
Grants and contributions not restricted to a specific purpose					64,127
Unrestricted investment earnings					134,605
Miscellaneous					51,660
Total general revenues					5,887,712
Change in net assets					(59,878)
Net assets beginning of year, as restated (note 12)					11,879,706
Net assets end of year					\$ 11,819,828

See notes to financial statements.

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CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,063,164	\$ 11,670	\$ 156,320	\$ 4,543,693
Receivables:				
Property tax:				
Delinquent	3,536	1,085	1,167	-
Succeeding year	2,751,612	844,193	1,465,718	-
Interest and penalty on property tax	6,469	-	-	-
Accounts	79,931	5,000	-	121
Accrued interest	21,639	-	-	-
Due from other funds (note 3)	400,000	-	-	2,948
Due from other governments	48,996	906	1,092	395,257
Inventories	-	-	8,274	316,672
Prepaid expenses	61,528	-	-	62,100
Total assets	\$ <u>4,436,875</u>	\$ <u>862,854</u>	\$ <u>1,632,571</u>	\$ <u>5,320,791</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,297,546	\$ 7,072,393
-	5,788
-	5,061,523
-	6,469
367	85,419
42	21,681
-	402,948
81,007	527,258
-	324,946
-	123,628
<u>\$ 1,378,962</u>	<u>\$ 13,632,053</u>

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 128,873	\$ 78,187	\$ 23,327	\$ 255,472
Salaries and benefits payable	29,248	-	748	60,574
Due to other funds (note 3)	2,204	400,000	744	-
Due to other governments (note 6)	13,008	190,140	-	33,280
Deferred revenue:				
Succeeding year property tax	2,751,612	844,193	1,465,718	-
Other	12,268	5,260	188	73,979
Total liabilities	<u>2,937,213</u>	<u>1,517,780</u>	<u>1,490,725</u>	<u>423,305</u>
Fund balance:				
Reserved for:				
Inventories	-	-	8,274	316,672
Prepaid expenses	61,528	-	-	62,100
Supplemental levy purposes	215,413	-	-	-
Unreserved, reported in:				
General fund	1,222,721	-	-	-
Special revenue funds	-	(654,926)	133,572	4,518,714
Total fund balances	<u>1,499,662</u>	<u>(654,926)</u>	<u>141,846</u>	<u>4,897,486</u>
Total liabilities and fund balances	<u>\$ 4,436,875</u>	<u>\$ 862,854</u>	<u>\$ 1,632,571</u>	<u>\$ 5,320,791</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 260	\$ 486,119
-	90,570
-	402,948
-	236,428
-	5,061,523
19,874	111,569
<u>20,134</u>	<u>6,389,157</u>
-	324,946
-	123,628
-	215,413
-	1,222,721
1,358,828	5,356,188
<u>1,358,828</u>	<u>7,242,896</u>
\$ <u>1,378,962</u>	\$ <u>13,632,053</u>

CLAYTON COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds	\$ 7,242,896
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$9,734,209 and the accumulated depreciation is \$4,581,603.	5,152,606
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	111,569
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	30,982
--	--------

Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">(718,225)</div>
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Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 11,819,828</div>
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See notes to financial statements

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CLAYTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Service	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,816,429	\$ 441,187	\$ 1,361,756	\$ -
Interest and penalty on property tax	47,322	-	-	-
Intergovernmental	360,022	703,949	95,050	3,534,478
Licenses and permits	16,702	-	-	745
Charges for service	340,803	11,150	7,227	1,019
Use of money and property	200,811	-	-	2,513
Miscellaneous	84,692	40	-	34,291
Total revenues	3,866,781	1,156,326	1,464,033	3,573,046
Expenditures:				
Operating:				
Public safety and legal services	1,589,370	-	-	-
Physical health and social services	433,711	-	-	-
Mental health	-	1,812,628	-	-
County environment and education	551,405	-	315,000	2,858
Roads and transportation	205,627	-	134,086	3,844,251
Government services to residents	332,604	-	-	-
Administration	960,641	-	-	-
Capital projects	-	-	-	193,464
Total expenditures	4,073,358	1,812,628	449,086	4,040,573
Excess (deficiency) of revenues over (under) expenditures	(206,577)	(656,302)	1,014,947	(467,527)
Other financing sources (uses):				
Sale of capital assets	2,782	-	-	22,561
Interfund transfers in	-	-	-	1,030,245
Interfund transfers out	(96,032)	-	(934,213)	-
General obligation notes issued	400,000	-	-	-
Total other financing sources (uses)	306,750	-	(934,213)	1,052,806

Nonmajor Governmental			
Funds		Total	
\$	641,584	\$	5,260,956
	-		47,322
	15,186		4,708,685
	-		17,447
	41,805		402,004
	490		203,814
	77,167		196,190
	<u>776,232</u>		<u>10,836,418</u>
	3,708		1,593,078
	-		433,711
	-		1,812,628
	260		869,523
	-		4,183,964
	-		332,604
	-		960,641
	<u>94,067</u>		<u>287,531</u>
	<u>98,035</u>		<u>10,473,680</u>
	<u>678,197</u>		<u>362,738</u>
	-		25,343
	-		1,030,245
	-		(1,030,245)
	-		400,000
	<u>-</u>		<u>425,343</u>

CLAYTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Service	Secondary Roads
Net change in fund balances	\$ 100,173	\$ (656,302)	\$ 80,734	\$ 585,279
Fund balances beginning of year, as restated (note 12)	1,399,489	1,376	61,112	4,312,207
Fund balances end of year	<u>\$ 1,499,662</u>	<u>\$ (654,926)</u>	<u>\$ 141,846</u>	<u>\$ 4,897,486</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total	
\$	678,197	\$	788,081
<u>680,631</u>		<u>6,454,815</u>	
\$	<u>1,358,828</u>	\$	<u>7,242,896</u>

CLAYTON COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 788,081

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

Capital outlays	\$ 480,519	
Depreciation expense	<u>(820,754)</u>	(340,235)

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

Property tax	10,412	
Other	<u>56,195</u>	66,607

Note proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net
assets. (400,000)

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

Compensated absences	(133,826)
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The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities. (40,505)

Change in net assets of governmental activities \$ (59,878)

See notes to financial statements.

CLAYTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

	Internal Service - Employee <u>Group Health</u>
Assets	
Cash and cash equivalents	\$ 81,147
Accounts receivable	<u>279</u>
Total assets	<u>81,426</u>
Liabilities	
Accounts payable	<u>50,444</u>
Net Assets	
Unrestricted	\$ <u><u>30,982</u></u>

See notes to financial statements.

CLAYTON COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 130,618
Stop-loss recoveries	<u>43,100</u>
Total operating revenues	<u>173,718</u>
Operating expenses:	
Medical claims	<u>214,223</u>
Operating loss	(40,505)
Net assets beginning of year	<u>71,487</u>
Net assets end of year	<u>\$ 30,982</u>

See notes to financial statements.

CLAYTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 130,339
Cash received from stop-loss recoveries	43,100
Cash payments to suppliers for services	<u>(195,828)</u>
Net decrease in cash and cash equivalents	<u>(22,389)</u>
Cash and cash equivalents at beginning of year	<u>103,536</u>
Cash and cash equivalents at end of year	\$ <u><u>81,147</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (40,505)
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Increase) in accounts receivable	(279)
Increase in accounts payable	<u>18,395</u>
Net cash used in operating activities	\$ <u><u>(22,389)</u></u>

See notes to financial statements.

CLAYTON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

Assets

Cash and pooled investments:

County Treasurer	\$ 809,087
Other County officials	18,559

Receivables:

Property tax receivable:

Delinquent	19,568
Succeeding year	13,419,948

Accounts	25,765
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Accrued interest	103
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Due from other governments	29,614
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Prepaid insurance	<u>1,250</u>
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Total assets	<u>\$ 14,323,894</u>
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Liabilities

Accounts payable	\$ 56,866
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Salaries and benefits payable	1,034
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Due to other governments (note 6)	14,210,524
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Trusts payable	18,747
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Compensated absences	<u>36,723</u>
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Total liabilities	<u>\$ 14,323,894</u>
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See notes to financial statements.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Clayton County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clayton County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission, Clayton County Planning and Zoning Committee and Clayton County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Joint Venture – The County is a participant in the Winneshiek County Area Solid Waste Agency. The County appoints a member to the agency board and is guaranteed access to the landfill so long as it is a member. The agency board sets tonnage fee rates which are charged to contracted haulers who are responsible for garbage collection and billing and collecting from local residents. Audited financial statements of Winneshiek County Area Solid Waste Agency are available at the Agency's office located at 2000 140th Avenue, Decorah, Iowa 52101.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of health insurance provided to the employees of the various departments of the County.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenditures – Payments made for insurance for a future period beyond June 30, 2004 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

The County is applying the transition rules on infrastructure and is only reporting the infrastructure that was put into service during and after the fiscal year ending June 30, 2003, the year of implementation of GASB Statement number 34. The County has until June 30, 2007 to report all the infrastructure assets retroactively to July, 1980.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

County employees receive vacation leave at the following rates:

<u>Years of Service</u>	<u>Vacation Days Earned per Month</u>
After 1	0.42
2-7	0.83
8-16	1.25
17*	1.67

* Secondary road employees only

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Employees may accumulate up to 20 days vacation and carry over up to five (5) days each year. Sick leave accrues at the rate of two days per month and employees may accumulate up to 90 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy generally prohibits payoff of accumulated sick leave at termination of employment. However, if the employee retires after age 62 and with at least 8 years of continuous service, 30% of the total amount accumulated is paid. Consequently, no liability for accumulated sick leave at June 30, 2004 has been determined or presented since management has determined it to be immaterial. Also, after 90 days of sick leave has been accumulated, sick leave may be converted to a maximum of 5 vacation days on a sliding scale. In accordance with GASB Statement 16, the County has accrued the liability for accrued vacation leave in the accompanying financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. The County's approximate maximum liability for accrued vacation pay at June 30, 2004 is \$318,225.

In accordance with the Code of Iowa Chapter 509A.13 the County provides post-employment health care benefits. Employees retiring before attaining sixty-five years of age may continue participation in the plan at their own expense until the employee attains sixty-five years of age.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the ten functions. Disbursements in certain departments exceeded the amounts appropriated before any amendments were made and appropriations for one department were exceeded at year end.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds were all deposited in financial institution depository accounts at June 30, 2004.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 400,000
Special Revenue: Secondary Roads	General	2,204
	Special Revenue: Rural Services	<u>744</u>
Total		\$ <u><u>402,948</u></u>

These balances resulted from the time lag between the dates that interfund goods, services, and temporary financing are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 96,032
	Special Revenue: Rural Services	<u>934,213</u>
		\$ <u><u>1,030,245</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 70,684	\$ -	\$ 70,684
Capital assets being depreciated:				
Machinery and equipment	6,200,943	409,835	355,596	6,255,182
Infrastructure	3,408,343	-	-	3,408,343
Total capital assets being depreciated	<u>9,609,286</u>	<u>409,835</u>	<u>355,596</u>	<u>9,663,525</u>
Less accumulated depreciation for:				
Machinery and equipment	4,044,278	684,420	355,596	4,373,102
Infrastructure	72,167	136,334	-	208,501
Total accumulated depreciation	<u>4,116,445</u>	<u>820,754</u>	<u>355,596</u>	<u>4,581,603</u>
Total capital assets being depreciated, net	<u>5,492,841</u>	<u>(410,919)</u>	<u>-</u>	<u>5,081,922</u>
Governmental activities capital assets, net	<u>\$ 5,492,841</u>	<u>\$ (340,235)</u>	<u>\$ -</u>	<u>\$ 5,152,606</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Roads and transportation	\$ <u>820,754</u>

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
General	Services	\$ 13,008	\$ -	\$ 13,008
Special Revenue:				
Mental Health	Services	190,140	-	190,140
Secondary Roads	Services	33,280	-	33,280
		<u>223,420</u>	<u>-</u>	<u>223,420</u>
Total for governmental funds		<u>\$ 236,428</u>	<u>\$ -</u>	<u>\$ 236,428</u>
Agency:				
County Assessor	Collections	\$ 142,696	\$ 280,192	\$ 422,888
Schools		181,498	9,502,242	9,683,740
Community College		7,495	419,010	426,505
Corporations		44,867	2,746,721	2,791,588
Townships		6,750	349,310	356,060
Auto License and Use Tax		296,105	-	296,105
All Other		<u>91,597</u>	<u>142,041</u>	<u>233,638</u>
Total for agency funds		<u>\$ 771,008</u>	<u>\$ 13,439,516</u>	<u>\$ 14,210,524</u>

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Anticipation Notes	Compensated Absences	Total
Balance beginning of year	\$ -	\$ 258,723	\$ 258,723
Increases	400,000	318,225	718,225
Decreases	-	258,723	258,723
Balance end of year	<u>\$ 400,000</u>	<u>\$ 318,225</u>	<u>\$ 718,225</u>
Due within one year	<u>\$ -</u>	<u>\$ 318,225</u>	<u>\$ 318,225</u>

Anticipation Notes Payable

During the year ended June 30, 2004, the County issued \$400,000 of general obligation anticipation notes with interest rates of 2.875% for the purpose of funding mental health services.

A summary of the County's June 30, 2004, general obligation anticipation note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	- %	\$ -	\$ -	-
2006	2.875	400,000	11,532	411,532
		<u>\$ 400,000</u>	<u>\$ 11,532</u>	<u>\$ 411,532</u>

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$204,679, \$199,486, and \$183,340, respectively, equal to the required contributions for each year.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 9. Risk Management

Clayton County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$120,836.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 9. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$25,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Employee Health Insurance Plan

Clayton County is partially self-insured for health insurance coverage. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, LTD. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$15,000 and \$1,990,000 overall annually. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the County's Health fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employees Group Services, LTD. from the County's health fund. The County records the plan assets and related liabilities of the Self-Funded Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$130,618.

A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County estimates liabilities for unpaid claims at June 30, 2004 on actual claims filed within 60 days subsequent to year end which relate to services prior to June 30. The County estimates any claims not filed within 60 days would not be material to the fund and has not discounted any claims to present value. The carrying amount of unpaid claims at June 30, 2004 is \$50,444, which is included in the Internal Service Fund accounts payable.

CLAYTON COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 9. Risk Management (continued)

Employee Health Insurance Plan (continued)

The County estimates that the amount of actual or potential claims against the County as of June 30, 2004, will not materially affect the financial condition of the County. Therefore, the financial statement does not present estimated claims. An analysis of claims activity in the internal service fund follows:

	<u>2004</u>	<u>2003</u>
Beginning liability	\$ 32,049	\$ 32,567
Claims and changes in estimates	214,223	263,218
Claim payments	<u>(195,828)</u>	<u>(263,736)</u>
Ending liability	\$ <u>50,444</u>	\$ <u>32,049</u>

Note 10. Construction and Other Commitments

The County has entered into a contract totaling \$306,661 for bridge construction. As of June 30, 2004, costs of \$70,684 have been incurred against the contract. The balance remaining at June 30, 2004 of \$235,977 will be paid as work on the project progresses.

The County has entered into a contract with Dubuque VNA to administer the Public Health and Homemaker services. The agreement is effective until June 30, 2005 and calls for an annual fee of \$77,000 to be paid to Dubuque VNA.

The Board of Supervisors has agreed to provide Scenic Acres financial support for the period July 1, 2004 through June 30, 2005. Financial support for the year ended June 30, 2004 totaled \$544,972.

Note 11. Subsequent Events

The County issued \$100,000 in general obligation anticipation notes in September, 2004, for the purpose of covering mental health costs. The notes have an interest rate of 2.875%.

On January 1, 2005, the County issued \$2,950,000 of general obligation County jail bonds, with interest rates ranging from 2.50% to 4.20%, for the purpose of constructing and furnishing a new County jail.

Subsequent to June 30, 2004 the County passed a resolution authorizing the issuance of \$20,000,000 of Urban Renewal Tax Increment Revenue Bonds for the River Bluff Urban Renewal Area. However, a lawsuit has been filed against the County challenging the validity of the County's action. The District Court ruled in favor of the County, but the challengers have appealed to the Supreme Court of the State of Iowa. As of March 3, 2005, the results of this appeal and any potential liability can not be determined. No bonds have been sold as of March 3, 2005. If issued, bonds would be payable solely from incremental property tax revenues generated from the River Bluff Urban Renewal Area.

CLAYTON COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 12. Restatement of Balances

The County previously recorded the Sheriff's Drug Forfeiture Fund as part of the County General Fund. The Sheriff's Drug Forfeiture Fund has been reclassified as a special revenue fund to more properly reflect the nature of this fund. The County is keeping track of the Local Option Sales and Services Tax (LOSST) monies for Secondary Roads and Rural Service in their own separate funds. These LOSST monies have been reclassified from major to nonmajor funds. In addition, the Conservation Land Acquisition Fund was previously reported as a private-purpose trust fund. This fund has also been reclassified as a special revenue fund to more properly reflect the nature of this fund. These reclassifications have the following effects on the various components of the County's financial statements:

	Governmental Fund Statements					Fiduciary
	Governmental	Major Fund	Major Fund	Major Fund	Nonmajor	Fund
Activities	General Fund	Rural Service	Secondary Roads	Governmental Funds	Private-purpose Trust Fund	Statements
Balance as previously reported at June 30, 2003	\$ 11,860,485	\$ 1,411,956	\$ 132,681	\$ 4,852,479	\$ 37,102	\$ 19,221
Reclassification of Sheriff's Drug Forfeiture Fund	-	(12,467)	-	-	12,467	-
LOSST monies reclassified to nonmajor funds	-	-	(71,569)	(540,272)	611,841	-
Reclassification of Conservation Land Acquisition Fund	19,221	-	-	-	19,221	(19,221)
Balance as restated on July 1, 2003	<u>\$ 11,879,706</u>	<u>\$ 1,399,489</u>	<u>\$ 61,112</u>	<u>\$ 4,312,207</u>	<u>\$ 680,631</u>	<u>\$ -</u>

Note 13. Capital Assets

The County does not have a complete listing of buildings, improvements and equipment, and the related depreciation, as required by accounting principles generally accepted in the United States of America. This was required by the County's implementation date of June 30, 2003, for Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Capital assets are required to be included in the governmental activities of the County. The County has until June 30, 2007 to report the general infrastructure assets of the County (such as bridges and road networks), which must include all infrastructure added since July, 1980.

Required Supplementary Information

CLAYTON COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2004

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 5,255,418	\$ 5,038,527	\$ 5,090,022	\$ 165,396
Interest and penalty on property tax	47,255	50,810	50,810	(3,555)
Intergovernmental	4,741,532	4,517,334	4,301,009	440,523
Licenses and permits	17,777	21,800	21,800	(4,023)
Charges for service	399,781	340,922	395,614	4,167
Use of money and property	211,205	377,011	212,661	(1,456)
Miscellaneous	165,656	224,300	297,870	(132,214)
Total receipts	<u>10,838,624</u>	<u>10,570,704</u>	<u>10,369,786</u>	<u>468,838</u>
DISBURSEMENTS:				
Public safety and legal services	1,582,456	1,737,789	1,751,149	168,693
Physical health and social services	422,169	476,060	480,575	58,406
Mental health	1,830,226	1,833,316	1,833,316	3,090
County environment and education	873,833	902,218	925,353	51,520
Roads and transportation	4,585,757	5,589,200	5,615,600	1,029,843
Government services to residents	350,632	483,156	387,476	36,844
Administration	943,296	1,049,583	1,206,777	263,481
Non-program	-	1,300	501,300	501,300
Capital projects	219,012	1,389,000	1,453,276	1,234,264
Total disbursements	<u>10,807,381</u>	<u>13,461,622</u>	<u>14,154,822</u>	<u>3,347,441</u>
Excess (deficiency) of receipts over (under) disbursements	31,243	(2,890,918)	(3,785,036)	3,816,279
Other financing sources, net	<u>425,878</u>	<u>13,700</u>	<u>513,700</u>	<u>(87,822)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	457,121	(2,877,218)	(3,271,336)	3,728,457
Balance beginning of year	<u>6,615,272</u>	<u>4,250,629</u>	<u>6,718,809</u>	<u>(103,537)</u>
Balance end of year	<u>\$ 7,072,393</u>	<u>\$ 1,373,411</u>	<u>\$ 3,447,473</u>	<u>\$ 3,624,920</u>

See accompanying independent auditor's report.

CLAYTON COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 10,838,624	\$ (2,206)	\$ 10,836,418
Expenditures	10,807,381	(333,701)	10,473,680
Net	31,243	331,495	362,738
Other financing sources	425,878	(535)	425,343
Beginning fund balances	6,615,272	(160,457)	6,454,815
Ending fund balances	<u>\$ 7,072,393</u>	<u>\$ 170,503</u>	<u>\$ 7,242,896</u>

See accompanying independent auditor's report.

CLAYTON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$693,200. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the ten functions. Disbursements in six departments exceeded the amounts appropriated before being amended and one department exceeded appropriations at year end.

Other Supplementary Information

CLAYTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 14,498	\$ 22,738	\$ 34,528	\$ 9,440
Receivables:				
Accounts	367	-	-	-
Accrued interest	10	12	20	-
Due from other governments	-	14,196	-	-
Total assets	<u>\$ 14,875</u>	<u>\$ 36,946</u>	<u>\$ 34,548</u>	<u>\$ 9,440</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved	<u>14,875</u>	<u>36,946</u>	<u>34,548</u>	<u>9,440</u>
Total liabilities and fund equity	<u>\$ 14,875</u>	<u>\$ 36,946</u>	<u>\$ 34,548</u>	<u>\$ 9,440</u>

See accompanying independent auditor's report.

<u>Sheriff Drug Forfeiture</u>	<u>Local Option Sales and Services Tax Revenue Rural Development</u>	<u>Local Option Sales and Services Tax Revenue Secondary Roads</u>	<u>Total</u>
\$ 9,854	\$ 160,766	\$ 1,045,722	\$ 1,297,546
-	-	-	367
-	-	-	42
-	10,022	56,789	81,007
<u>\$ 9,854</u>	<u>\$ 170,788</u>	<u>\$ 1,102,511</u>	<u>\$ 1,378,962</u>
\$ -	\$ 260	\$ -	\$ 260
-	2,981	16,893	19,874
-	3,241	16,893	20,134
<u>9,854</u>	<u>167,547</u>	<u>1,085,618</u>	<u>1,358,828</u>
<u>\$ 9,854</u>	<u>\$ 170,788</u>	<u>\$ 1,102,511</u>	<u>\$ 1,378,962</u>

CLAYTON COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	11,248	3,938
Charges for service	4,920	36,885	-	-
Use of money and property	101	61	249	-
Miscellaneous	-	-	-	76,151
Total revenues	<u>5,021</u>	<u>36,946</u>	<u>11,497</u>	<u>80,089</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environmental education	-	-	-	-
Capital projects	-	-	4,197	89,870
Total expenditures	<u>-</u>	<u>-</u>	<u>4,197</u>	<u>89,870</u>
Excess (deficiency) of revenues over (under) expenditures	5,021	36,946	7,300	(9,781)
Fund balances beginning of year	<u>9,854</u>	<u>-</u>	<u>27,248</u>	<u>19,221</u>
Fund balances end of year	<u>\$ 14,875</u>	<u>\$ 36,946</u>	<u>\$ 34,548</u>	<u>\$ 9,440</u>

See accompanying independent auditor's report.

<u>Sheriff Drug Forfeiture</u>	<u>Local Option Sales and Services Tax Revenue Rural Development</u>	<u>Local Option Sales and Services Tax Revenue Secondary Roads</u>	<u>Total</u>
\$ -	\$ 96,238	\$ 545,346	\$ 641,584
-	-	-	15,186
-	-	-	41,805
79	-	-	490
1,016	-	-	77,167
<u>1,095</u>	<u>96,238</u>	<u>545,346</u>	<u>776,232</u>
3,708	-	-	3,708
-	260	-	-
-	-	-	94,067
<u>3,708</u>	<u>260</u>	<u>-</u>	<u>98,035</u>
(2,613)	95,978	545,346	678,197
<u>12,467</u>	<u>71,569</u>	<u>540,272</u>	<u>680,631</u>
<u>\$ 9,854</u>	<u>\$ 167,547</u>	<u>\$ 1,085,618</u>	<u>\$ 1,358,828</u>

CLAYTON COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2004

	County Auditor	County Recorder	County Sheriff	Agricultural Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	2,523
Other County officials	719	12,614	5,226	-
Receivables:				
Property tax:				
Delinquent	-	-	-	179
Succeeding year	-	-	-	139,060
Accounts	-	517	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	-	-
Total assets	\$ <u>719</u>	\$ <u>13,131</u>	\$ <u>5,226</u>	\$ <u>141,762</u>
LIABILITIES				
Accounts payable	\$ -	\$ 13,097	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	34	-	141,762
Trusts payable	719	-	5,226	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>719</u>	\$ <u>13,131</u>	\$ <u>5,226</u>	\$ <u>141,762</u>

<u>Assessor</u>	<u>Emergency Management</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
\$ 210,132	\$ 10,636	\$ 181,498	\$ 7,495	\$ 44,867	\$ 6,750	\$ 5,247
-	-	-	-	-	-	-
359	-	12,017	515	6,242	253	-
279,833	-	9,490,225	418,495	2,740,479	349,057	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	29,614	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 490,324</u>	<u>\$ 40,250</u>	<u>\$ 9,683,740</u>	<u>\$ 426,505</u>	<u>\$ 2,791,588</u>	<u>\$ 356,060</u>	<u>\$ 5,247</u>
\$ 30,305	\$ 1,015	\$ -	\$ -	\$ -	\$ -	-
408	626	-	-	-	-	-
422,888	38,609	9,683,740	426,505	2,791,588	356,060	5,247
-	-	-	-	-	-	-
36,723	-	-	-	-	-	-
<u>\$ 490,324</u>	<u>\$ 40,250</u>	<u>\$ 9,683,740</u>	<u>\$ 426,505</u>	<u>\$ 2,791,588</u>	<u>\$ 356,060</u>	<u>\$ 5,247</u>

CLAYTON COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2004

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	E-911 Governmental	E-911 Surcharge
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 308,554	\$ 52	\$ 15,987	\$ 2,544
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	3	-	-
Succeeding year	-	2,799	-	-
Accounts	-	-	-	23,413
Accrued interest	-	-	85	18
Due from other governments	-	-	-	-
Prepaid insurance	-	-	-	1,250
Total assets	<u>\$ 308,554</u>	<u>\$ 2,854</u>	<u>\$ 16,072</u>	<u>\$ 27,225</u>
LIABILITIES				
Accounts payable	\$ 12,449	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	296,105	2,854	16,072	27,225
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 308,554</u>	<u>\$ 2,854</u>	<u>\$ 16,072</u>	<u>\$ 27,225</u>

See accompanying independent auditor's report.

<u>Tax Sale</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ 12,802	\$ -	\$ 809,087
-	-	18,559
-	-	19,568
-	-	13,419,948
-	1,835	25,765
-	-	103
-	-	29,614
-	-	1,250
<u>\$ 12,802</u>	<u>\$ 1,835</u>	<u>\$ 14,323,894</u>
\$ -	\$ -	\$ 56,866
-	-	1,034
-	1,835	14,210,524
12,802	-	18,747
-	-	36,723
<u>\$ 12,802</u>	<u>\$ 1,835</u>	<u>\$ 14,323,894</u>

CLAYTON COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2004

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 2,224	\$ 5,635	\$ 2,787	\$ 135,616
Additions:				
Property and other County tax	-	-	-	131,641
State tax credits	-	-	-	8,475
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	1,516	251,134	65,479	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	59	1,964	127,472	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	1,575	253,098	192,951	140,116
Deductions:				
Agency Remittance:				
To other funds	3,040	136,915	65,445	-
To other governments	-	106,723	34	133,970
Trusts paid out	40	1,964	125,033	-
Total deductions	3,080	245,602	190,512	133,970
Balances end of year	\$ 719	\$ 13,131	\$ 5,226	\$ 141,762

<u>Assessor</u>	<u>Emergency Management</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
\$ <u>486,243</u>	\$ <u>30,856</u>	\$ <u>9,813,029</u>	\$ <u>403,795</u>	\$ <u>2,760,867</u>	\$ <u>398,777</u>	\$ <u>1,553</u>
263,539	-	8,844,031	395,828	3,195,052	288,014	-
18,121	-	609,869	25,177	200,045	20,741	-
-	-	-	-	-	-	-
-	54,203	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	34,490
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,806	-	-	-	-	-	-
<u>288,466</u>	<u>54,203</u>	<u>9,453,900</u>	<u>421,005</u>	<u>3,395,097</u>	<u>308,755</u>	<u>34,490</u>
-	-	-	-	-	-	-
284,385	44,809	9,583,189	398,295	3,364,376	351,472	30,796
-	-	-	-	-	-	-
<u>284,385</u>	<u>44,809</u>	<u>9,583,189</u>	<u>398,295</u>	<u>3,364,376</u>	<u>351,472</u>	<u>30,796</u>
\$ <u>490,324</u>	\$ <u>40,250</u>	\$ <u>9,683,740</u>	\$ <u>426,505</u>	\$ <u>2,791,588</u>	\$ <u>356,060</u>	\$ <u>5,247</u>

CLAYTON COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2004

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	E-911 Governmental	E-911 Surcharge
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 335,857	\$ 2,795	\$ 30,513	\$ 37,545
Additions:				
Property and other County tax	-	2,633	-	-
State tax credits	-	174	-	-
E-911 surcharge	-	-	-	117,543
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	3,837,626	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Interest on investments	-	-	339	119
Miscellaneous	-	-	220	379
Total additions	3,837,626	2,807	559	118,041
Deductions:				
Agency Remittance:				
To other funds	59,061	-	-	-
To other governments	3,805,868	2,748	15,000	128,361
Trusts paid out	-	-	-	-
Total deductions	3,864,929	2,748	15,000	128,361
Balances end of year	\$ 308,554	\$ 2,854	\$ 16,072	\$ 27,225

See accompanying independent auditor's report.

<u>Antomical Gifts</u>	<u>Tax Sale</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ <u>12</u>	\$ <u>10,116</u>	\$ <u>-</u>	\$ <u>14,458,220</u>
-	-	-	13,120,738
-	-	-	882,602
-	-	-	117,543
-	-	-	54,203
-	-	-	318,129
-	-	-	3,837,626
-	-	-	34,490
-	257,791	-	387,286
-	-	6	464
-	-	24,475	31,880
-	257,791	24,481	18,784,961
-	-	-	264,461
12	-	22,646	18,272,684
-	255,105	-	382,142
12	255,105	22,646	18,919,287
\$ <u>-</u>	\$ <u>12,802</u>	\$ <u>1,835</u>	\$ <u>14,323,894</u>

CLAYTON COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 5,260,956	\$ 4,993,907	\$ 5,041,985	\$ 4,975,802
Interest and penalty on property tax	47,322	45,126	45,882	43,163
Intergovernmental	4,708,685	5,437,760	5,242,771	5,329,569
Licenses and permits	17,447	13,800	18,079	18,697
Charges for service	402,004	361,882	340,872	304,472
Use of money and property	203,814	246,456	368,924	546,739
Fines, forfeitures and defaults	-	-	3,167	1,544
Miscellaneous	196,190	104,586	249,837	73,670
Total	<u>\$ 10,836,418</u>	<u>\$ 11,203,517</u>	<u>\$ 11,311,517</u>	<u>\$ 11,293,656</u>
Expenditures:				
Current:				
Public safety and legal services	\$ 1,593,078	\$ 1,477,321	\$ 1,372,028	\$ 1,120,279
Physical health and social services	433,711	446,171	554,568	554,749
Mental health	1,812,628	1,779,526	1,803,128	1,757,308
County environment and education services	869,523	846,556	711,861	641,510
Roads and transportation	4,183,964	5,457,772	4,820,657	4,373,294
Governmental services to residents	332,604	484,483	430,278	290,635
Administrative services	960,641	847,223	984,985	832,665
Non-program	-	-	-	7,298
Capital projects	287,531	195,319	1,486,311	404,293
Total	<u>\$ 10,473,680</u>	<u>\$ 11,534,371</u>	<u>\$ 12,163,816</u>	<u>\$ 9,982,031</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Clayton County:

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the respective changes in financial position and cash flows, where applicable, of Clayton County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 3, 2005. The report on governmental activities was adverse due to the omission of a total listing of capital assets and related depreciation. The report on the Major Fund, Secondary Roads was qualified due to an inability to observe the County's inventory. Except as discussed in the preceding sentence, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clayton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items II-A-04, II-B-04, II-K-04, II-L-04, II-M-04, and II-N-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clayton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clayton County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clayton County and other parties to whom Clayton County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clayton County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 3, 2005

CLAYTON COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, Auditor, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

CLAYTON COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-04 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

CLAYTON COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-04 Official Depositories – A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution for the Sheriff’s office at Peoples State Bank was exceeded for the month of July by \$2,474.

Recommendation – We recommend that the depository resolutions be reviewed to ensure that the limits are not exceeded during the year.

Response – The main problem with the Sheriff’s office in connection with this problem is Sheriff forfeiture proceeds. These amounts vary greatly. The Sheriff is aware of the problem and will increase the maximum deposit amount.

Conclusion – Response accepted.

- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in any of the ten County functions. However, disbursements in six departments exceeded the amounts appropriated prior to being amended and one department was exceeded at year end. We also noted that the budget amendments did not use the correct originally adopted budget amounts and that the cash basis report was published with inaccurate budget totals.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation. The County should also insure the accuracy of all future budget amendments and the proper budget totals are included on the County’s cash basis report.

Response – Appropriations will be watched more closely by the departments in the future. We will investigate the differences on the budget amendments and cash basis report and ensure the accuracy of all budgetary documents in the future.

Conclusion – Response accepted.

- II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- II-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- II-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.

- II-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

- II-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

CLAYTON COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-J-04 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

- II-K-04 Fund Balance Deficit – Upon review of monthly fund balances, we noticed that the General Supplemental, Mental Health, and E-911 Surcharge Funds had fund balance deficits during the year. In addition, the Mental Health major fund had a deficit fund balance of \$654,926 at June 30, 2004. In accordance with Chapter 331.476 of the Code of Iowa, no official should issue a warrant, execute a contract, or allow a claim, which would result in expenditures to exceed revenue collected during the fiscal year plus any unexpended balance from prior year.

Recommendation – We recommend the County expenditures not exceed the revenues collected during the fiscal year plus unexpended balances from prior year in the individual funds. The County would then be in compliance with Chapter 331.476 of the Code of Iowa. The County should investigate alternatives to return the Mental Health Fund to a healthy financial position.

Response – We realize this happened before tax dollars were received. We checked with the Department of Management when this happened and were told that since the supplemental fund is combined with the general basic fund on our budget and adopted that way we didn’t have to be concerned about it. However, the Mental Health and E-911 Surcharge Funds were exceeded as independent funds. Even so this should not happen again due to having enough cash in the funds at the beginning of the fiscal year. We will investigate alternatives to returning the Mental Health Fund to a sound condition.

Conclusion – Response accepted.

- II-L-04 Code of Ordinances – The County has not compiled the Code of County Ordinances within five years of the previous compilation. The compilation must be made at least once every five years to be in compliance with Chapter 331.302(9) of the Code of Iowa.

Recommendation – We recommend that the County compile a Code of County Ordinances.

Response – We currently are in process of compiling the Code of County Ordinances.

Conclusion – Response accepted.

CLAYTON COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-M-04 Various Reports – The Treasurer’s semi-annual reports have not been published as of February 2, 2005 as required by Chapter 349.16(3) of the Code of Iowa.

Recommendation – We recommend that reports be completed and published in a timely manner.

Treasurer’s Response – They will be filed timely in the future. The reports were late this year because a copy of the County’s outstanding warrants was not received in a timely fashion from the Auditor’s office.

Conclusion – Response accepted.

- II-N-04 Property and Equipment Records – A partial record of the County’s fixed assets is maintained by individual offices. Property journal totals have not been summarized, nor has a reconciliation been performed to balance additions and deletions to the general ledger. The County also does not calculate depreciation expense and accumulated depreciation for any assets reported.

Recommendation – We recommend that complete property and equipment records be developed. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records. Management may want to consider the employment of an outside consulting firm to maintain its property records.

Response – Management is aware of this problem and will look into the cost of an outside firm, if budget allows.

Conclusion – Response accepted.

- II-O-04 Vehicle Usage – The County provides vehicles for certain employees but does not have a policy regarding vehicle usage.

Recommendation – The District should adopt a vehicle use policy which addresses the following areas:

- 1) Incidental personnel use
- 2) Commuting
- 3) Assignment of vehicles
- 4) Documentation required
- 5) Restricted vehicles use
- 6) Reimbursement by employees for personal time
- 7) Additional compensation for employees
- 8) Public purpose served
- 9) Any other relevant area

These areas should take recordkeeping taxation and public purpose requirements into consideration.

Response – We will consider adopting such a policy.

Conclusion – Response accepted.

CLAYTON COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-P-04 Internal Service Fund – Chapter 331.301(12) of the Code of Iowa requires interest to be recorded in any Internal Service Fund of the County. The County has recorded no interest in the Internal Service Fund, Employee Group Health Fund. In addition, Chapter 509A.15 of the Code of Iowa requires an actuarial opinion and certificate of compliance for all self-funded insurance plans to be filed with the Insurance Commissioner within 90 days following the plan year end. As of the audit date, the County has not obtained an actuarial opinion for the County’s self-funded insurance plan. We also noted that the County nets some plan revenues directly to expenditures which understates the expenditures for the fund.

Recommendation – The County should begin recording interest revenue in the Internal Service Fund. The County should contact the Iowa Insurance Commissioner’s office to determine the proper action required to resolve the situation created by not obtaining an actuarial opinion of the plan and filing the required certificate. In addition, no revenues should be netted to expenditures for County accounting and reporting purposes.

Response – We will begin recording interest as required for the Internal Service Fund and we will avoid netting revenues to expenditures in the future. We were unaware of the requirements of Chapter 509A of the Code of Iowa and we will contact the Insurance Commissioner to resolve this situation.

Conclusion – Response accepted.

- II-Q-04 Assessor Review Board – We noted that the minutes for the Assessor’s review board were not properly signed by the Board.

Recommendation – The minutes for all meetings should be reviewed and signed by all Board members present or by the Board chairman to help ensure accuracy of the public record.

Response – This was an oversight for this year’s meetings. We will properly sign all minutes in the future.

Conclusion – Response accepted.

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